

CA1
DA12
- S71250C - 2ND AVENUE SOUTH,
SASKATOON, SASK. S7K 2M1
TELEPHONE: (306) 652-9465

National Farmers Union



national farmers union

In Union is Strength

Canadian

on the subject of

Tariff Charges for Licensed Elevators

submitted

March 29, 1978

1. It is now four years and five months since the date of your **Submission**

Commission's last public hearing on elevator tariff charges held in Regina, October 16, 1973, to the

2. Prior to that date, in a hearing over proposed changes in the Canadian Grain Commission's Grain Handling and Transportation Regulations held in Regina, October 9 and

3. 1973, you laid five alternative principles for the Commission to consider in setting tariff rates.

4. Those five principles, in summary were:

1. Selective and specifically cost-related rates that are the full load directly related to the cost through various services and the cost of the grain in consideration.

Tariff Charges for Licensed Elevators

2. Specific overall rates that would be the entire system but would give the companies freedom to respond within the same rates as they see best.

3. Continue to deal with individual rate descriptions and individual companies.

presented at**Saskatoon, Saskatchewan****March 29, 1978**

companies compete with tariffs.

4. The Canadian Grain Commission get completely out of tariff setting and, similar to number 3, let the companies set their own tariffs.



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National Farmers Union

Submission

to the

Canadian Grain Commission

on the subject of

Tariff Charges for Licensed Elevators

submitted

March 29, 1978

1. It is now four years and five months since the date of your Commission's last public hearing on elevator tariff charges held in Regina, October 30, 1973.
2. Prior to that hearing, Chief Commissioner Pound in addressing a Grain Handling and Transportation Seminar held in Saskatoon March 8 and 9, 1973, outlined five alternative principles he felt the Commission could follow in setting tariff rates.
3. Those five principles, in summary were:
 1. Selective and specifically cost-tailored rates that put the full load directly on the grain as it moves through various services of elevation, storage, cleaning and conditioning.
 2. Specific overall rates that would limit the entire system, but would give the companies freedom to respond within the single rate as they see best.
 3. Continue to deal with individual rate categories and individual companies.
 4. Set a very high level of maximum tariffs, without much regard for anything but an overall umbrella on the system, and let the companies compete with tariffs.
 5. The Canadian Grain Commission get completely out of tariff-setting and, similar to number 4, let the companies set their own tariffs.

social issues? Is there

any evidence

of this

Chapman University Communication

are there any examples of

research findings that support this?

best regards

Steve, UC Davis

Many have asked what exactly was said in the speech and was it fit for broadcast? Chapman University Communication Department Chair of Policy and Law Professor Michael J. Tavel says he planned nothing but a "memorandum" to his department. Tavel says he planned nothing but a "memorandum" to his department, nothing to do with broadcast, after he

met with Chapman University President, Dr. Michael Bishop

and the university's Board of Regents. Chapman University Communication Department Chair of Policy and Law Professor Michael J. Tavel says he planned nothing but a "memorandum" to his department, nothing to do with broadcast, after he

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4. The Commission eventually followed option number 4 and in so doing, we believe, abrogated its historic responsibility for protecting the legitimate economic interests of primary producers through the establishment of tariffs.

5. The effect of imposing a high maximum tariff and relying on "competition" to protect the economic interests of farmers simply has not been evident. If competition has resulted, it has not been reflected in the rate schedules.

6. From the very first year in which a flexible tariff schedule was implemented, it has been characterized by its almost unbroken uniformity of rates, both as between companies and as between the vast majority of delivery points in each of the respective provinces.

7. Flexible tariffs have meant continuous increases in handling costs to farmers since the time of their inception, indicating that "competition" has not resulted in cost reducing tariff to the farmer. For example, the maximum tariff for elevation was fixed at 10 1/2¢ per bushel for '74-'75 and now is in the range of 14.4 cents for wheat and barley and 13.4 cents for oats. A common tariff charge filed by companies for wheat and barley in 1974-75 was 8 3/4 cents while in the current crop year it is in the 11-12 cent per bushel range.

8. The higher rate structure described as "an overall umbrella on the system" has been just that - an umbrella under which continued cross-subsidization from more efficient delivery points as determined by their higher turnover ratio has supported less efficient operations.

9. We need to seriously examine the criteria for efficiency in the content of grain handling.

10. We submit that if efficiency is measured by the ratio of turnover to elevator capacity, then some of the least efficient grain handling operations are now located at delivery points where a proliferation of

elevators and companies exists.

11. Two examples might serve to illustrate the point. At Rosetown, Saskatchewan, where four companies have eight elevators with a total capacity of 1,677,000 bushels, in 1976/77 crop year handled 3,588,000 bushels, a turnover ratio of 2.14. Watrous, on the other hand, located on the mainline CNR, has one company with two elevators and a capacity of only 178,000 bushels, but handled 1,076,000 bushels, a turnover ratio of 6.04.

12. We conclude that the economic interests of producers are better served at Watrous than they are at Rosetown.

13. We submit the Commission has an obligation and a responsibility to assure that excess capacity facilities are not unnecessarily concentrated at delivery points where the physical need is not apparent. To do so is simply to transfer greater long run cost burdens onto the primary producer.

14. It is not good enough in our view to follow a wide open policy in allowing companies to locate facilities wherever they will and then expect farmers to pick up the tab because throughput averages are lowered as a result. That is, in our view, allowing the problems of the past to be perpetuated in the guise of "competition".

15. If the objective of the grain industry and the commission is to rationalize the system in such a way as to improve the grain handling performance at delivery points which currently have over expanded facilities, it will only be achieved at the expense of eliminating many more delivery points some of which, from a turnover ratio position, are now efficient.

16. This is not to deny that the system can stand still further rationalization from the standpoint of the number of delivery points. An examination of statistics indicates that rationalization has in fact been

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progressing at a rapid rate and will continue as more branch rail lines are abandoned.

17. The number of delivery stations in the three prairie provinces and B.C. has declined in the period 1974-75 to 1977-78 from 1,599 to 1,422, a reduction of 177. The number of country elevators has declined from 4,332 to 3,779, a drop of 553 with an accompanying drop in licensed capacity from 427,375,300 to 398,320,100 or by 29,055,200 bushels.

<u>No. of Stations</u>	<u>Manitoba</u>	<u>Saskatchewan</u>	<u>Alberta & B.C.</u>	<u>Total</u>
1974/75	275	863	461	1,599
1977/78	<u>253</u>	<u>751</u>	<u>418</u>	<u>1,422</u>
Decline	<u>-22</u>	<u>-112</u>	<u>-43</u>	<u>-177</u>
<u>No. of Elevators</u>				
1974/75	534	2,397	1,401	4,322
1977/78	<u>466</u>	<u>2,038</u>	<u>1,275</u>	<u>3,779</u>
Decline	<u>-68</u>	<u>-359</u>	<u>-126</u>	<u>-543</u>
<u>Licensed Capacity ('000 bus.)</u>				
1974/75	56,809.3	205,681.9	164,884.1	427,375.3
1977/78	<u>55,294.1</u>	<u>186,612.3</u>	<u>156,413.7</u>	<u>398,320.1</u>
Decline	<u>1,515.2</u>	<u>19,069.6</u>	<u>8,470.4</u>	<u>29,055.2</u>

18. Currently there are 644 delivery points (45.3 percent) with only a one company presence. Of this number however there are 436 delivery points where the company in question operates 2 or more licensed facilities. In many cases, duplicate houses are little more than storage houses.

19. Further rationalization of the system is possible by eliminating the non-productive duplication now existing and in this way improving the overall turnover ratio without eliminating delivery points.

20. An interesting comparison on turnover ratio can be made by examining the average licensed capacity at each delivery point in each province and measuring that against average producer deliveries in the 1976-77 crop year to establish an average turnover ratio.

21. On the basis of the number of delivery points in each province,

and this caused even the students like the other boys in the neighborhood
to leave school. But the school was still open and the students
had to leave school and go to the other schools in the city.
Most of these boys and girls had to leave school and go to
other schools and schools in the city to get an education.
The cost of going to school was very high and the parents
had to pay a lot of money to send their children to school.
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had to pay a lot of money to send their children to school.

Year	Population	Number of houses	Number of people	Number of houses per person
1900	1000	100	100	1000
1910	1200	120	120	1200
1920	1400	140	140	1400
1930	1600	160	160	1600
1940	1800	180	180	1800
1950	2000	200	200	2000
1960	2200	220	220	2200
1970	2400	240	240	2400
1980	2600	260	260	2600
1990	2800	280	280	2800
2000	3000	300	300	3000
2010	3200	320	320	3200
2020	3400	340	340	3400
2030	3600	360	360	3600
2040	3800	380	380	3800
2050	4000	400	400	4000
2060	4200	420	420	4200
2070	4400	440	440	4400
2080	4600	460	460	4600
2090	4800	480	480	4800
2100	5000	500	500	5000
2110	5200	520	520	5200
2120	5400	540	540	5400
2130	5600	560	560	5600
2140	5800	580	580	5800
2150	6000	600	600	6000
2160	6200	620	620	6200
2170	6400	640	640	6400
2180	6600	660	660	6600
2190	6800	680	680	6800
2200	7000	700	700	7000
2210	7200	720	720	7200
2220	7400	740	740	7400
2230	7600	760	760	7600
2240	7800	780	780	7800
2250	8000	800	800	8000
2260	8200	820	820	8200
2270	8400	840	840	8400
2280	8600	860	860	8600
2290	8800	880	880	8800
2300	9000	900	900	9000
2310	9200	920	920	9200
2320	9400	940	940	9400
2330	9600	960	960	9600
2340	9800	980	980	9800
2350	10000	1000	1000	10000
2360	10200	1020	1020	10200
2370	10400	1040	1040	10400
2380	10600	1060	1060	10600
2390	10800	1080	1080	10800
2400	11000	1100	1100	11000
2410	11200	1120	1120	11200
2420	11400	1140	1140	11400
2430	11600	1160	1160	11600
2440	11800	1180	1180	11800
2450	12000	1200	1200	12000
2460	12200	1220	1220	12200
2470	12400	1240	1240	12400
2480	12600	1260	1260	12600
2490	12800	1280	1280	12800
2500	13000	1300	1300	13000
2510	13200	1320	1320	13200
2520	13400	1340	1340	13400
2530	13600	1360	1360	13600
2540	13800	1380	1380	13800
2550	14000	1400	1400	14000
2560	14200	1420	1420	14200
2570	14400	1440	1440	14400
2580	14600	1460	1460	14600
2590	14800	1480	1480	14800
2600	15000	1500	1500	15000
2610	15200	1520	1520	15200
2620	15400	1540	1540	15400
2630	15600	1560	1560	15600
2640	15800	1580	1580	15800
2650	16000	1600	1600	16000
2660	16200	1620	1620	16200
2670	16400	1640	1640	16400
2680	16600	1660	1660	16600
2690	16800	1680	1680	16800
2700	17000	1700	1700	17000
2710	17200	1720	1720	17200
2720	17400	1740	1740	17400
2730	17600	1760	1760	17600
2740	17800	1780	1780	17800
2750	18000	1800	1800	18000
2760	18200	1820	1820	18200
2770	18400	1840	1840	18400
2780	18600	1860	1860	18600
2790	18800	1880	1880	18800
2800	19000	1900	1900	19000
2810	19200	1920	1920	19200
2820	19400	1940	1940	19400
2830	19600	1960	1960	19600
2840	19800	1980	1980	19800
2850	20000	2000	2000	20000
2860	20200	2020	2020	20200
2870	20400	2040	2040	20400
2880	20600	2060	2060	20600
2890	20800	2080	2080	20800
2900	21000	2100	2100	21000
2910	21200	2120	2120	21200
2920	21400	2140	2140	21400
2930	21600	2160	2160	21600
2940	21800	2180	2180	21800
2950	22000	2200	2200	22000
2960	22200	2220	2220	22200
2970	22400	2240	2240	22400
2980	22600	2260	2260	22600
2990	22800	2280	2280	22800
3000	23000	2300	2300	23000
3010	23200	2320	2320	23200
3020	23400	2340	2340	23400
3030	23600	2360	2360	23600
3040	23800	2380	2380	23800
3050	24000	2400	2400	24000
3060	24200	2420	2420	24200
3070	24400	2440	2440	24400
3080	24600	2460	2460	24600
3090	24800	2480	2480	24800
3100	25000	2500	2500	25000
3110	25200	2520	2520	25200
3120	25400	2540	2540	25400
3130	25600	2560	2560	25600
3140	25800	2580	2580	25800
3150	26000	2600	2600	26000
3160	26200	2620	2620	26200
3170	26400	2640	2640	26400
3180	26600	2660	2660	26600
3190	26800	2680	2680	26800
3200	27000	2700	2700	27000
3210	27200	2720	2720	27200
3220	27400	2740	2740	27400
3230	27600	2760	2760	27600
3240	27800	2780	2780	27800
3250	28000	2800	2800	28000
3260	28200	2820	2820	28200
3270	28400	2840	2840	28400
3280	28600	2860	2860	28600
3290	28800	2880	2880	28800
3300	29000	2900	2900	29000
3310	29200	2920	2920	29200
3320	29400	2940	2940	29400
3330	29600	2960	2960	29600
3340	29800	2980	2980	29800
3350	30000	3000	3000	30000
3360	30200	3020	3020	30200
3370	30400	3040	3040	30400
3380	30600	3060	3060	30600
3390	30800	3080	3080	30800
3400	31000	3100	3100	31000
3410	31200	3120	3120	31200
3420	31400	3140	3140	31400
3430	31600	3160	3160	31600
3440	31800	3180	3180	31800
3450	32000	3200	3200	32000
3460	32200	3220	3220	32200
3470	32400	3240	3240	32400
3480	32600	3260	3260	32600
3490	32800	3280	3280	32800
3500	33000	3300	3300	33000
3510	33200	3320	3320	33200
3520	33400	3340	3340	33400
3530	33600	3360	3360	33600
3540	33800	3380	3380	33800
3550	34000	3400	3400	34000
3560	34200	3420	3420	34200
3570	34400	3440	3440	34400
3580	34600	3460	3460	34600
3590	34800	3480	3480	34800
3600	35000	3500	3500	35000
3610	35200	3520	3520	35200
3620	35400	3540	3540	35400
3630	35600	3560	3560	35600
3640	35800	3580	3580	35800
3650	36000	3600	3600	36000
3660	36200	3620	3620	36200
3670	36400	3640	3640	36400
3680	36600	3660	3660	36600
3690	36800	3680	3680	36800
3700	37000	3700	3700	37000
3710	37200	3720	3720	37200
3720	37400	3740	3740	37400
3730	37600	3760	3760	37600
3740	37800	3780	3780	37800
3750	38000	3800	3800	38000
3760	38200	3820	3820	38200
3770	38400	3840	3840	38400
3780	38600	3860	3860	38600
3790	38800	3880	3880	38800
3800	39000	3900	3900	39000
3810	39200	3920	3920	39200
3820	39400	3940	3940	39400
3830	39600	3960	3960	39600
3840	39800	3980	3980	39800
3850	40000	4000	4000	40000
3860	40200	4020	4020	40200
3870	40400	4040	4040	40400
3880	40600	4060	4060	40600
3890	40800	4080	4080	40800
3900	41000	4100	4100	41000
3910	41200	4120	4120	41200
3920	41400	4140	4140	41400
3930	41600	4160	4160	41600
3940	41800	4180	4180	41800
3950	42000	4200	4200	42000
3960	42200	4220	4220	42200
3970	42400	4240	4240	42400
3980	42600	4260	4260	42600
3990	42800	4280	4280	42800
4000	43000	4300	4300	43000
4010	43200	4320	4320	43200
4020	43400	4340	4340	43400
4030	43600	4360	4360	43600
4040	43800	4380	4380	43800
4050	44000	4400	4400	44000
4060	44200	4420	4420	44200
4070	44400	4440	4440	44400
4080	44600	4460	4460	44600
4090	44800	4480	4480	44800
4100	45000	4500	4500	45000
4110	45200	4520	4520	45200
4120	45400	4540	4540	45400
4130	45600	4560	4560	45600
4140	45800	4580	4580	45800
4150	46000	4600	4600	46000
4160	46200	4620	4620	46200
4170	46400	4640	4640	46400
4180	46600	4660	4660	46600
4190	46800	4680	4680	46800
4200	47000	4700	4700	47000
4210	47200	4720	4720	47200
4220	47400	4740	4740	47400
4230	47600	4760	4760	47600
4240	47800	4780	4780	47800
4250	48000	4800	4800	48000
4260	48200	4820	4820	48200
4270	48400	4840	4840	48400
4280	48600	4860	4860	48600
4290	48800	4880	4880	48800
4300	49000	4900	4900	49000
4310	49200	4920	49	

the following statistics emerge:

	<u>Manitoba</u>	<u>Sask.</u>	<u>Alta. & B.C.</u>
No. of stations	<u>253</u>	<u>751</u>	<u>418</u>
No. of elevators	<u>466</u>	<u>2,038</u>	<u>1,275</u>
Av. cap. per station (bus.)	<u>218,553</u>	<u>248,485</u>	<u>374,195</u>
Av. no. of elevators per station	<u>1.84</u>	<u>2.71</u>	<u>3.05</u>
Total bushels delivered 1976/77 crop year ('000)	<u>141,293</u>	<u>465,320</u>	<u>297,946</u>
Av. del. per station (bus.)	<u>558,470</u>	<u>619,600</u>	<u>712,789</u>
Av. del. per elevator (bus.)	<u>303,203</u>	<u>228,321</u>	<u>233,683</u>
Av. elevator capacity	<u>118,656</u>	<u>91,566</u>	<u>122,677</u>
Av. turnover ratio (handling ÷ capacity)	<u>2.55</u>	<u>2.49</u>	<u>1.90</u>

22. The observation to be made is that, on average, the higher the number of elevators per delivery point, the lower the average provincial turnover ratio.

23. We conclude the problem of productivity efficiency relates not alone to the proliferation of delivery points, which serve the farmers' convenience, but also to the number of elevators located on average at each delivery point.

24. While it is held that the costs of providing grain handling services by elevator companies is outstripping their revenues, we submit the declining income position of the farmer must also be considered in terms of his ability to pay higher tariffs. Farm income has been on the decline since 1975.

25. Still, if one is to weight the remarks of the Chief Commissioner, Mr. Pound, to the convention of the Saskatchewan Association of Rural Municipalities, March 15, 1978, it is a foregone conclusion that the maximum tariff schedule will again be revised upward. The only unanswered question is by "how much".

26. In his address, Mr. Pound stated as follows:

"Costs-of-handling grain figures lead us to two conclusions: (1) elevators have to handle a lot more bushels; or (2) tariffs have to go up considerably.

"We've had a quick look at the bushels-handled answer and we say that even though companies handled a record or near record this past year--and hope to come close to that figure this year--soaring costs simply are out-distancing revenues at current handling figures and tariffs.

"The result is, unless there is a total industry move to close down, say, half the elevators in Western Canada, there is little prospect of immediately increasing efficiency significantly.

"Even inland terminals are not the answer now. Handling and railway tariffs are simply not large enough for inland terminals to undercut these charges significantly and attract significant volumes of grain--currently. And I stress 'currently'."

27. We question the expressed attitude that handling charges should be regarded as instruments of "competition" to allow inland terminals, through manipulation of rates, to attract grain from further distances.

28. The purpose of elevator tariffs must be related directly to the physical costs of handling grain. They are not intended, in our view, to be used as a means of bribing some farmers to haul longer distances by using high tariffs to subsidize hauling costs.

29. Neither should elevation costs be related to the costs of marketing as we suspect they now are. It is observed that most companies are well below maximum elevation and dockage removal tariff charges for wheat, oats and barley, which are marketed by the Canadian Wheat Board but are at the maximum tariff charge for flaxseed and rapeseed, both high volume open market grains. Marketing costs may be hedged by tariffs.

30. The suggestion that inefficiencies within the elevator system are of such drastic proportions that efficiency could not increase significantly unless half the elevators in Western Canada close down is not supported by the latest reports of some of the farmer owned grain companies.

31. The Alberta Wheat Pool, at its 55th annual meeting held last November, authorized patronage refunds totalling \$147 million, of which \$4.76 million was authorized for cash distribution.

32. The Saskatchewan Wheat Pool at its last annual meeting reported

country elevator earnings of \$3.8 million and terminal earnings of just under \$15 million. More than \$9.6 million was allocated for return to members in cash payments.

33. Each of these two companies handles over 50 percent of grain marketings in their respective provinces. Because they are farmer owned their function is to provide service to members "at cost".

34. "Profitability" by the conventional definition, could mean a high rate of return on inflated investment for private grain corporations. We submit that the profit needs of corporate grain companies need not constitute the basis for establishing tariff schedules if "competition" is the objective the Commission hopes to achieve.

Conclusions and Recommendations

35. The number of grain delivery points in future will undoubtedly continue to decline as it has in the past. This decline will be hastened as branch rail lines marked for early abandonment are closed down.

36. As the number of delivery points decline, the licensed capacity of elevators will also decline and assist in the rationalization of the system and the improvement in average throughput ratio of remaining elevators.

37. We submit the Canadian Grain Commission has a responsibility to prevent construction of unneeded and redundant facilities at remaining delivery points thereby once again distorting the efficiency of the remaining system.

38. Planning of the system must assume a higher priority. Elevator companies must be required to apply in advance for the right to construct new facilities. The C.G.C. must assure that the throughput efficiency ratio is not distorted by the construction of new facilities. We believe a high efficiency throughput ratio is of greater importance to

the farmer's economic interest than "competitive" considerations, particularly since official grade and dockage standards exist to assure the farmer receives proper financial settlement based on quality.

39. The Commission should examine the necessity of elevator companies maintaining excessive storage capacity at one company delivery points. Where warranted, it should cancel licenses to discourage the accumulation of unwarranted storage costs assessed against the farmers.

40. The level of maximum tariffs should not be increased to permit the economic survival of the least economic handling facilities or companies.

41. We recommend the C.G.C. revert to its previous role of annually reviewing tariff schedules with a view toward protecting the economic interests of grain producers.

42. We recommend that in its review of tariff schedules the C.G.C. consider that tariffs must be a true reflection of service costs and do not have built in "padding" to allow for such unrelated "competitive" gimmicks as transportation allowances or to assist in defraying company marketing costs.

43. Once again, we recommend that the submissions of elevator companies be available to interested groups and individuals at least two weeks prior to public hearings in order that an objective analysis of the specifics of increases in charges can be made prior to preparing a response.

44. Finally, we recommend the Commission revert to the practice of holding annual public hearings. Intervals of five years are too long for meaningful public participation.

All of which is respectfully submitted by the,

NATIONAL FARMERS UNION.

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